HOUSE BILL 849

By Haynes

AN ACT to amend Tennessee Code Annotated, Title 56, relative to unfair claims settlement practices.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 56-8-105, is amended by adding the following new appropriately designated subdivision:

( ) Failing to follow the standards set out in § 56-7-118 for purposes of claims arising from automobile liability insurance;

SECTION 2. Tennessee Code Annotated, Title 56, Chapter 7, Part 1, is amended by adding the following new section thereto:

56-7-134

(a) For purposes of this section:

(1) "Claim" means:

(A) An oral, written, or electronic submission for payment from automobile liability insurance that is filed by an insured, on behalf of an insured, or by a third party where the insurer accepts such claims, in accordance with the insurer's reasonable submission standards; and

(B) Is sufficient to reasonably establish contractual liability for payment on the part of an insurer; and

(2) “Insurer” means any insurer issuing automobile liability insurance in this state.

(b)

(1) Every insurer, upon receiving notification of a claim shall, within ten (10) business days from receipt of such notification, acknowledge the receipt of

such notice unless payment is made by the insurer within such period of time. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgement including the manner of acknowledgment and the individual to whom acknowledgement is given, shall be made in the claim file of the insurer and dated. Notification given to a producer of an insurer shall be notification to the insurer for purposes of this subdivision (b)(1).

(2) Every insurer, upon receiving notification of a claim, shall promptly provide necessary claim forms, instructions and reasonable assistance so that a claimant can comply with the policy conditions and the insurer's reasonable requirements. Compliance with this subdivision (b)(2) within ten (10) business days of receiving notification of a claim shall constitute compliance with subdivision (b)(2).

(c) Every insurer shall complete an investigation of a claim within thirty (30) business days after receiving notification of such claim, unless the investigation cannot reasonably be completed within such time. If an investigation cannot be completed within thirty (30) business days, an appropriate notation, including the reasons for noncompletion within thirty (30) days, of such shall be made in the claim file of the insurer and dated.

(d)

(1) Except as provided in subdivision (d)(3), within fifteen (15) business days after receipt by the insurer of a properly executed proof of loss statement, the claimant shall be advised of the acceptance or denial of the claim by the insurer. No insurer shall deny a claim on the grounds of a specific policy provision, condition, or exclusion unless reference to such provision, condition, or exclusion is included in the denial. Any denial by an insurer shall be given to the

claimant in writing and the claim file of the insurer shall contain a copy of the denial.

(2) If a claim is denied for reasons other than those described in subdivision (d)(1) and such denial is made by any means other than writing, a notation, shall be made in the claim file of the insurer, such notation shall include the means in which the reasons were communicated.

(3) If the insurer needs more than fifteen (15) business days to determine whether a claim should be accepted or denied, the insurer shall so notify the claimant within fifteen (15) business days after receipt of the proof of loss statement, giving the reasons why more time is needed. If the investigation remains incomplete after such fifteen-day period, the insurer shall, forty-five (45) business days from the date of receipt of the initial notification and every forty-five (45) business days thereafter, send to such claimant a letter setting forth the reasons additional time is needed for the investigation.

(4) Insurers shall not fail to settle claims on the basis that responsibility for payment should be assumed by others except as may otherwise be provided by policy provisions.

SECTION 3. This act shall take effect July 1, 2011, the public welfare requiring it, and shall apply to any notification of a claim that is received by an insurer on or after the effective date of this act.